

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 SSO-00 SS-15 SP-02 INR-07
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O R 281510Z JAN 77
FM AMEMBASSY SANTIAGO
TO SECSTATE WASHDC IMMEDIATE 3220
INFO AMEMBASSY BRASILIA
AMEMBASSY BUENOS AIRES
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMEMBASSY MONTEVIDEO
AMEMBASSY QUITO

C O N F I D E N T I A L SECTION 1 OF 2 SANTIAGO 804

STADIS//////////

E. O. 11652: GDS
TAGS: PFOR, CI
SUBJECT: CHILE -- OVERVIEW

REF: STATE 016158

1. THE BACKGROUND: WHILE WE HAVE NO CONVENTIONAL STRATEGIC OR ECONOMIC INTERESTS OF PRIMARY IMPORTANCE IN CHILE TODAY, U.S. GOVERNMENT AND PUBLIC INVOLVEMENT THERE HAS BEEN EXTRAORDINARILY HIGH FOR MANY YEARS. THE U.S. GOVERNMENT STRONGLY SUPPORTED CHRISTIAN DEMOCRATIC PRESIDENT FREI (1964-70), TO DEMONSTRATE THAT LIBERAL DEMOCRACY COULD COMPETE WITH MARXISTS IN RESOLVING PROBLEMS OF ECONOMIC AND SOCIAL DEVELOPMENT IN LATIN AMERICA. WITH THE SHOESTRING TRIUMPH OF MARXIST SALVADOR ALLENDE, AND THE RAPID ACCELERATION OF COLLECTIVIST TRENDS ALREADY LONG UNDER WAY, OUR RELATIONSHIPS SOURED. WITHIN CHILE, POLITICAL POLARIZATION BECAME INTENSE. CUBAN AND SOVIET INFLUENCE BURGEONED. THE ECONOMY EVENTUALLY NEARED COLLAPSE. IN SEPTEMBER 1973 THE FOUR SERVICE
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CHIEFS FORMED A JUNTA AND RELUCTANTLY OUSTED THE ALLENDE REGIME, AT THE INSISTENCE OF MOST CHILEANS, WHO BELIEVED THE COUNTRY WAS BEING DESTROYED.

2. THE JUNTA MIGHT HAVE RESTORED CIVILIAN GOVERNMENT AFTER STABILIZING
THE COUNTRY. INSTEAD, IT HAS RETAINED FULL POWERS, BANNED POLITICAL

ACTIVITIES, AND SHARPLY CURTAILED INDIVIDUAL RIGHTS. ITS POLITICAL ETHOS IS ANTI-MARXIST, AUTHORITARIAN, STRONGLY NATIONALIST, AND CONTEMPTUOUS OF THE FAILURE OF CHILE'S TRADITIONAL FREE-WHEELING DEMOCRACY TO COPE WITH THE COUNTRY'S PROBLEMS. PINOCHET HAS EMERGED AS THE PRE-EMINENT LEADER. HE SHOWS NO INCLINATION TO YIELD POWER.

3. THE ENVIRONMENT: THE PRESENT POLITICAL ENVIRONMENT REFLECTS THE FACTORS NOTED ABOVE. AT THE SAME TIME, SOME POSITIVE DEVELOPMENTS HAVE OCCURRED WITHIN THE PAST YEAR. PERHAPS MOST SIGNIFICANT, THE RIGOR OF THE JUNTA'S STATE OF SIEGE MACHINERY HAS BEEN APPRECIABLY RELAXED. ALMOST ALL PRISONERS HELD WITHOUT TRIAL HAVE BEEN RELEASED; THE NUMBER OF POLITICAL ARRESTS IS DOWN; AND NEW REPORTS OF TORTURE ARE SELDOM HEARD. ON THE OTHER HAND, PEOPLE CONTINUE TO "DISAPPEAR". WHILE THE REPRESSION MAY BE SAID TO BE MORE MODERATE, THE JUNTA HAS NOT FUNDAMENTALLY ALTERED ITS SYSTEM OF CONTROL. THE NEW AND PURIFIED DEMOCRATIC SYSTEM IT PRESENTS AS ITS EVENTUAL GOAL REMAINS A PAPER PROMISE. THE PRESS, MEDIA AND UNIVERSITIES ARE SUPINE AND CONFORMIST IN SENSITIVE POLITICAL AREAS; THE JUDICIARY CONTINUES TO STAY STUDIOUSLY ALOOF FROM INTERNAL SECURITY MATTERS; THE REMNANTS OF THE FREE TRADE UNIONS ARE HARASSED;

AND THE "RECESSED" NON-MARXIST POLITICAL PARTIES ARE LIMITED TO OCCASIONAL DEMONSTRATIVE POLITICAL FORAYS.

4. TO DEAL WITH LONG-STANDING STRUCTURAL PROBLEMS OF THE ECONOMY AND THE GENERAL ECONOMIC DISORGANIZATION LEFT BY ALLENDE, THE JUNTA HAS ESTABLISHED AN ECONOMIC ENVIRONMENT CHARACTERIZED BY RIGOROUS AUSTERITY, A SHARP TURN TOWARD PRIVATE ENTERPRISE, CONFIDENTIAL

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DIMINISHED STATE INTERVENTION IN THE ECONOMY, LOWERED IMPORT BARRIERS, AND EXORT DIVERSIFICATION. THE READJUSTMENT HAS SHARPLY REDUCED ECONOMIC ACTIVITY AND CAUSED INTENSE HARDSHIPS. AND ON THE WHOLE THE RESPONSE HAS BEEN SLUGGISH: INFLATION STILL RAN AT 175 PER CENT FOR 1976 AS COMPARED WITH 340 PER CENT IN 1975. UNEMPLOYMENT IS FLLING SLOWLY, CAPITAL FORMATION IS MINIMAL. YET ECONOMIC INDICES HAVE BEGUN TO TURN GRADUALLY UPWARD. 1976 GROSS DOMESTIC PRODUCT MAY HAVE BEEN FIVE PER CENT OVER 1975. BUT THE COUNTRY STILL LAGS BELOW THE LEVELS OF A DECADE AGO, OR EVEN 1974.

5. THE MANAGEMENT OF CHILE'S FOREIGN ECONOMIC POLICIES HAS BEEN MORE IMPRESSIVE. DESPITE THE SQUEEZE IMPOSED BY FALLING COPPER PRICES (60 TO 80 PER CENT OF CHILE'S EXPORTS) AND RISING PETROLEUM PRICES (75 PER CENT OF CONSUMPTION IMPORTED), CHILE HAS BEEN ABLE TO DISPENSE WITH INTERNATIONAL DEBT RESCHEDULING. IT IS CURRENTLY MEETING SOME \$800 MILLION OF EXTERNAL DEBT OBLIGATIONS ANNUALLY. ITS CREDIT-WORTHINESS AMONG THE INTERNATIONAL FINANCIAL INSTITUTIONS AND PRIVATE BANKS IS STRONG. BUT ITS SEARCH FOR PRIVATE

FOREIGN INVESTMENT, TO PRODUCE GROWTH, HAS THUS FAR HAD ONLY MEAGER RESULTS.

6. NOTWITHSTANDING POLITICAL RIGIDITIES AND THE HIGH SOCIAL COSTS OF ITS ECONOMIC POLICIES, THE JUNTA HAS SOUGHT TO MAINTAIN A SOCIAL ENVIRONMENT CONSISTENT WITH CHILE'S STRONG SOCIAL WELFARE AND SOCIAL SECURITY TRADITIONS. A REAL IF BUMBLING EFFORT IS BEING MADE TO IMPORVE STATE SERVICES IN THESE AREAS. A LARGE WORK-RELIEF PROGRAM TO SOME EXTENT MITIGATES UNEMPLOYMENT. CHILE CONTINUES TO BE A LEADER IN CHILD NUTRITION PRACTICES. BUT ALMOST NOTHING HAS BEEN DONE TO USHER IN A MORE OPEN AND PLURALISTIC SOCIAL SYSTEM. MOST OF ALL, THE HIGHLY VISIBLE PROSPERITY OF CHILE'S SUCCESSFUL NEW ENTREPRENEURS, AGAINST A BACKGROUND OF CONTINUING HARDSHIP, BREEDS DISCONTENT.

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C O N F I D E N T I A L SECTION 2 OF 2 SANTIAGO 804

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7. WITHAL, THE JUNTA REMAINS FIRMLY IN CONTROL. YET THERE ARE ELEMENTS OF POTENTIAL INSECURITY. AT HOME, PINOCHET'S HIGH-HANDED PERSONAL DICTATORSHIP IS JUST BEGINNING TO AFFECT THE INSTITUTIONAL UNITY OF THE ARMED FORCES. ABROAD, THE LOSS OF U.S. SUPPORT -- UNEXPECTED AND UNDESERVED, FROM THE JUNTA'S POINT OF VIEW -- IS A VERY SERIOUS PROBLEM. IT HAMPERS FOREIGN INVESTMENT; RAISES THE SPECTER OF A POSSIBLE FINANCIAL AND ECONOMIC BLOCKADE; AND INHIBITS AN ADEQUATE RESPONSE, THROUGH ARMS MODERNIZATION, TO WHAT ARE REGARDED AS PERUVIAN PREPARATIONS FOR

A REVANCHIST BORDER WAR.

8. US POLICY OBJECTIVES. THE PRINCIPAL US OBJECTIVE IS A RESTORATION OF BASIC, INTERNATIONALLY ACCEPTED INDIVIDUAL HUMAN RIGHTS IN CHILE -- WHICH WOULD PERMIT THE RESUMPTION OF OUR TRADITIONALLY CONSTRUCTIVE BILATERAL RELATIONS. A RELATED BUT ANCILLARY OBJECTIVE MIGHT BE THE RESTORATION OF DEMOCRATIC INSTITUTIONS AND POLITICAL RIGHTS.

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9. IF ACCEPTABLE PROGRESS COULD BE MADE IN THE HUMAN RIGHTS AREA, WE COULD MUCH MORE EFFECTIVELY: A) DENY CHILE'S TERRITORY TO ANY POTENTIAL ENEMY AND COUNT ON CHILE AS AN ALLY; B) RELY ON CHILE'S GENERAL SUPPORT IN MULTILATERAL FORA; C) ENCOURAGE HARDROCK MINERALS INVESTMENT IN CHILE TO HELP MAINTAIN WORLD SUPPLY OVER THE LONGER TERM; D) CONTINUE TO ENLIST CHILE'S SUPPORT IN BEHALF OF SOUND INTERNATIONAL COMMODITY AGREEMENTS COVERING COPPER AND OTHER ITEMS; AND E) THROUGH A MORE COOPERATIVE RELATIONSHIP, AVOID REPLACEMENT OF THE PRESENT REGIME BY ONE STILL LESS DESIRABLE.

10. QUALITY OF THE CURRENT RELATIONSHIP. THE JUNTA CONSIDERS OUR STRICTURES ON ITS HUMAN RIGHTS PRACTICES UNJUSTIFIED, SINCE IN ITS EYES CHILE IS CARRYING THE BATTLE AGAINST "COMMUNISM" IN OUR MUTUAL INTEREST. GOVERNMENT SUPPORTERS SUSPECT THAT SOME OF THEIR AMERICAN CRITICS ARE CONCERNED ABOVE ALL TO DESTROY THE JUNTA AND RESTORE MARXISM IN CHILE. EVEN THOSE CHILEANS WHO DISAGREE HAVE FREQUENTLY BEEN AFFRONTED BY WHAT THEY REGARD AS OUR INTERVENTION IN THEIR INTERNAL AFFAIRS. MANY BELIEVE WE ARE GUILTY OF CONDEMNING CHILE WHILE IGNORING FAR WORSE ABUSES IN OTHER LEFT OR RIGHT WING DICTATORSHIPS.

11. CONSEQUENTLY, AS CONGRESS AND THE EXECUTIVE HAVE TIGHTENED ECONOMIC RESTRICTIONS AND CUT OFF MILITARY AID TO CHILE, OUR RELATIONS HAVE BECOME DIFFICULT, FORMAL, AND LARGELY STATIC. FOR EXAMPLE, THE CHILEANS ASKED US TO HALT FUTURE ECONOMIC ASSISTANCE IN ORDER NOT TO PRECIPITATE NEW OUTBURSTS OF CONGRESSIONAL CRITICISM. HOWEVER, OUR PRESSURES HAVE ARGUABLY PRODUCED SOME AMELIORATION IN CHILEAN HUMAN RIGHST PRACTICES, PRINCIPALLY PRISONER RELEASES.

12. CURRENT PROBLEMS. LEAVING ASIDE MINOR OPERATIONAL MATTERS, THE PRINCIPAL CURRENT PROBLEMS ARE:

A. HOW TO OBTAIN ADDITIONAL HUMAN RIGHTS IMPROVEMENTS. THIS IS BASIC TO OUR RELATIONSHIP. THE CHILEAN MILITARY WILL CONTINUE TO EMPHASIZE INTERNAL SECURITY AT THE EXPENSE OF HUMAN

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RIGHTS, BUT I BELIEVE THEY CAN BE MOVED. SIGNIFICANT AREAS FOR MOVEMENT INCLUDE: RESTORATION OF CHILEAN DUE PROCESS PROVISIONS, THROUGH THE PROGRESSIVE TERMINATION OF EMERGENCY POWERS; AN INCREASING ROLE FOR CIVILIAN TRIBUNALS IN HANDLING POLITICAL OFFENSES; ABOLITION, OR LIMITATION OF THE AUTHORITY OF THE SECRET POLICE (DINA); AND RENEWED OPPORTUNITY FOR INTERNATIONAL VERIFICATION OF CHILEAN HUMAN RIGHTS PRACTICES.

B. HOW TO RELATE OUR ATTITUDES TOWARD CHILE WITH OUR INTEREST IN PREVENTING A WAR OVER ANDEAN BORDERS, FACILITATED BY PERUVIAN MILITARY PREPONDERANCE AND CARRYING WITH IT THE POSSIBILITY OF A MAJOR SOVIET-CUBAN PENETRATION. COULD THERE BE AN IMPLICIT TRADE-OFF BETWEEN US AID IN CREATING A MINIMUM MILITARY DETERRENT AGAINST PERU AND PROGRESS ON HUMAN RIGHTS?

C. HOW TO OPEN THE WAY FOR PRIVATE AMERICAN INVESTMENT AND OTHER ASSISTANCE WHICH WILL NOT ONLY SERVE US PURPOSES BUT HELP TO REVIVE ECONOMIC GROWTH IN CHILE AND MODERATE THE RIGORS OF ITS RAW NEO-CAPITALISM.

D. HOW TO MAINTAIN PEOPLE-TO-PEOPLE TIES, SO THAT THE AMERICAN INTELLECTUAL, CULTURAL AND POLITICAL PRESENCE MAY CONTINUE TO BE EXERTED IN FAVOR OF AN OPEN, PLURALISTIC, AND DEMOCRATIC SOCIETY. THIS IS THE MORE DESIRABLE AS OUR OTHER CONTACTS WITHER WITH THE CESSATION OF MILITARY AND ECONOMIC AID.

E. HOW TO KEEP CHILE IN THE RANKS OF THE SOLID CITIZENS IN THE INTERNATIONAL COMMUNITY WHO CAN JOIN WITH US TO RESIST THE CONFRONTATIONAL ATTACKS OF THE RADICAL THIRD-WORLDEERS AND THE COMMUNIST BLOC.

F. HOW TO CONSERVE TO THE EXTENT POSSIBLE OUR USEFUL MILITARY SERVICES TIES, IN THE FACE OF CURRENT PHASE-OUT REQUIREMENTS.

13. A US INITIATIVE. GIVEN THE CRITICAL CHARACTER OF THE HUMAN RIGHTS RELATIONSHIP, I HAVE RECOMMENDED A RIGOROUS REVIEW OF OUR HUMAN RIGHTS POLICIES WITH RESPECT TO CHILE, TO DETERMINE HOW WE CAN BEST ACHIEVE OUR OBJECTIVES (SANTIAGO 487). THIS MIGHT USEFULLY BE SUBSUMED IN A BROADER HUMAN RIGHTS REVIEW, COVERING AT THE LEAST ALL THE SOUTH AMERICAN MILITARY REGIMES. AS SEEN FROM SANTIAGO, THE PROSPECTS FOR APPLYING A MORE DEFINITIVE
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POLICY LINE WOULD BE ENHANCED IF THAT LINE REFLECTED MAJORITY CONGRESSIONAL AS WELL AS EXECUTIVE BRANCH SENTIMENT.
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Message Attributes

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